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GOVERNOR

STATE OF MICHIGAN

DEPARTMENT OF NATURAL RESOURCES

LANSING



REBECCA A. HUMPHRIES
DIRECTOR

August 13, 2008

The Honorable Michelle McManus, Chair
Senate Appropriations Subcommittee on
Natural Resources
S-2 Capitol Building
P.O. Box 30036
Lansing, Michigan 48909-7536

The Honorable Michael Lahti, Chair
House Appropriations Subcommittee on
Natural Resources
Room 1489 House Office Building
P.O. Box 30014
Lansing, Michigan 48909-7514

Dear Senator McManus and Representative Lahti:

Pursuant to Section 220, PA 122 of 2007, attached is a summary of the Department of Natural Resources' (DNR) cost allocation plan for restricted funds. Due to the size of the cost allocation plan, only the summary is being forwarded. The remaining portion is available for review in the DNR's Financial Services office.

If you have questions, please contact Jane Schultz at 517-241-2392.

Sincerely,

Sharon M. Schafer, Chief
Budget and Support Services
517-335-3276

Attachment

cc: Senate Appropriations Subcommittee Members
House Appropriations Subcommittee Members
Ms. Jessica Runnels, Senate Fiscal Agency
Dr. Kirk Lindquist, House Fiscal Agency
Mr. Robert Emerson, State Budget Director, DMB
Mr. Jacques McNeely, DMB
Ms. Jennifer Harrison, DMB
Director Rebecca A. Humphries, DNR
Ms. Mindy Koch, Resource Management Deputy, DNR
Mr. Rodney Stokes, Chief of Staff, DNR
Mr. Daniel Eichinger, Legislative Liaison, DNR
Mr. Joseph Frick, DNR
Ms. Jane Schultz, DNR

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Michigan Department of Natural Resources Cost Allocation Project for Administrative Funding Sources FY 2006

Introduction

MAXIMUS is pleased to present the results of the Cost Allocation Project for the Michigan Department of Natural Resources (DNR). The DNR has many state restricted funding sources that fund the administrative divisions of the Department. The purpose of this project was to prepare a cost allocation plan to determine a reasonable and defensible distribution of funding within each administrative appropriation. The plan is based on actual information for the year ended September 30, 2006, and includes an analysis of the following DNR appropriations:

- 1001 – Executive Direction
- 1092 – Commission
- 1093 – Unclassified Salaries
- 2020 – Office of Land and Facilities
- 1105 – Internal Audit
- 1106 – Budget and Support Services
- 1107 – Office of Financial Services
- 1108 – Grants Management
- 1126 – Human Resources
- 1128 – Human Resources Optimization
- 1345 – Building Occupancy Charges
- 1346 – Rent - Privately Owned Property
- 8914 – Information Technology Services and Projects

Methodology

The project has been completed in two phases. Phase I allocates administrative costs to the divisional level. Phase II reallocates the divisional costs to individual funding sources according to the ratio of funding provided for each division.

Phase I – Phase I of the project is included as Attachment A. The cost plan is divided into thirteen plan sections corresponding to the administrative appropriations that have been identified. Each section of the cost plan includes; a narrative description of the utilized allocation procedures, a schedule of costs by function or activity, and a schedule detailing the allocation of costs for each function. The overall objective was to group costs into functional areas, which represent an activity or service provided; and to subsequently allocate the activity to benefited programs using an allocation base that best represents benefit derived. Schedule A from Phase I contains a summary of costs allocated from each central service section to the individual divisions of the DNR.

Phase II – Phase II of the project is included as Attachment B. The Phase II cost plan reallocates the costs allocated to each division from each administrative appropriation in Phase I to the cost objective, or the various funding sources of the DNR. Costs allocated to each division in Phase I have been reallocated according to the ratio of actual funded expenditures for that division. In some instances, costs in Phase I may have been allocated directly to a specific funding source, e.g. MNRTF. In such cases, Phase II simply reallocates those costs directly to the same funding source.

Due to the volume of detail in the Phase II plan, only the summary portion of the plan is included. The final results are summarized on Schedule A of the plan. Also, a detailed listing of the allocation bases used to redistribute the Phase I allocations for the first plan section, appropriation 1001-Executive Direction, have been included. The exact same allocation bases utilized for the Executive Direction section of Phase II were used to allocate the costs of all other Phase II administrative appropriations.

Summary of Results

A summary of the final distribution of costs by funding source for each of the administrative appropriations is included in the following exhibits:

- Exhibit I represents a reconciliation of costs, by administrative appropriation, allocated in the cost plan. Costs are based upon appropriation year expenditures identified in the DAFR 7480 report.
- Exhibit II summarizes the allocated funding results for each of the administrative appropriations.

Special Projects – It is important to note, in some instances costs directly associated with projects with discrete funding sources were allocated to the Special Projects cost pool. This cost pool is separately identified on Exhibit II, and the identified costs have not been allocated to any funding source. In order to determine total allocated costs associated with each funding source, the funding for Special Projects needs to be determined and added to the fund totals on Exhibit II. A summary of the 2006 fiscal year Special Projects is as follows:

Summary of Special Projects

Appropriation	Project	Amount
1001	University Project	\$3,614.66
1092	Game and Fish Work Group	\$7,998.07
1105	University Project	\$2,938.00
1106	University Project	\$2,938.00
1107	Sportsmen Against Hunger	\$13,000.00
1107	University Project	\$2,938.00
1107	Engineering Services	\$12,217.34
1107	Real Estate Services	\$10,985.14
8914	LOTS Computer System Development	\$197,270.47
8914	Payroll, administration, and support for CGI	\$822,851.60
Total		\$1,076,751.28

MICHIGAN DEPARTMENT OF NATURAL RESOURCES
COST ALLOCATION PLAN
SUMMARY OF ALLOCATED ADMINISTRATIVE APPROPRIATIONS
FY 2006 / AY 2006 - DAFR 7480

<u>APPROPRIATION</u>	<u>CASH</u>	<u>ACCRUALS</u>	<u>ENCUMBRANCES</u>	<u>TOTAL</u>	<u>NON-ADMINISTRATIVE EXPENDITURES</u>	<u>FINAL AMOUNT ALLOCATED</u>
1001 - Executive Direction	1,892,285	6,014	24,975	1,923,274	-	1,923,274
1092 - Commission	71,597	2,415	-	74,012	-	74,012
1093 - Unclassified Salaries	416,500	-	-	416,500	-	416,500
2020 - Land and Facilities	16,202,152	94,317	73,426	16,369,895	11,882,462	4,487,432
1105 - Internal Audit	773,524	565	-	774,089	-	774,089
1106 - Budget and Support Services	901,259	702	1,472	903,433	-	903,433
1107 - Financial Services	2,264,725	23,642	-	2,288,367	-	2,288,367
1108 - Grants Management	976,733	2,408	29	979,170	-	979,170
1126 - Human Resources	2,083,045	1,074	-	2,084,119	-	2,084,119
1128 - Human Resources Optimization User Charge	83,999	-	-	83,999	-	83,999
1345 - Building Occupancy Charges	2,071,585	-	-	2,071,585	-	2,071,585
1346 - Rent - Privately Owned Property	406,004	4,935	-	410,939	-	410,939
8914 - Information Technology Services and Projects	8,171,005	9,592	28,189	8,208,786	-	8,208,786
TOTALS	36,314,413	145,664	128,091	36,588,168	11,882,462	24,705,705

MICHIGAN DEPARTMENT OF NATURAL RESOURCES COST ALLOCATION PROJECT
ADMINISTRATIVE FUNDING SOURCES - FY 05/06
SUMMARY OF RESULTS

Exhibit II

FUND NAME	EXEC DIR 1001	COMMISSION 1092	UNCLASS SAL 1093	OLAF 1104	INTERNAL AUDIT 1105	BUDGET 1106	FIN SVCS 1107	GRANTS 1108	HR 1126	HR OPT 1128	BLDG OCC 1345	RENT-PRIVATE 1346	INFO TECH 8914	TOTAL
AIRCRAFT	942	33	204	115	696	262	1,842	-	700	28	1,079	258	3,937	10,096
ALS-REV	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CERVIDAE LIC / INSPECTION	296	10	64	41	84	184	284	-	207	8	424	44	1,248	2,894
CLEAN MICH	367	12	79	77	3,161	421	772	34,419	258	11	1,040	67	1,838	42,522
COMM-FOREST	422	15	92	50	346	122	869	-	313	13	444	119	1,731	4,536
F&G	513,664	17,664	111,447	1,870,615	140,836	207,014	428,367	48	374,859	15,473	586,641	156,253	2,090,379	6,513,260
F&G-DEER	17,303	595	3,754	174,115	5,788	11,881	18,521	-	12,256	488	27,428	2,614	73,656	348,399
F&G-SETTLE	3,725	128	808	367	857	1,704	2,742	-	2,926	120	2,298	1,504	14,426	31,605
F&G-TURKEY	11,725	403	2,544	92,425	3,968	7,498	11,770	-	8,291	329	18,833	1,772	49,956	209,514
F&G-WILDLIFE	13,903	479	3,016	1,261	4,036	4,403	9,242	-	9,361	384	7,824	4,687	51,082	109,678
F&G-WTRFWL LICENSE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
F&G-WTRFWL MGMT	779	26	169	110	219	476	741	-	548	21	1,140	115	3,299	7,643
FOREST-CAMP/REC	9,698	333	2,104	27,162	7,667	3,000	18,883	-	7,198	294	11,154	2,731	39,911	130,135
FOREST-DEVELOP	269,124	9,254	58,389	1,047,534	218,295	82,040	544,601	-	200,269	8,168	318,162	74,596	1,116,530	3,946,962
FOREST-USE	2,796	95	606	335	2,253	810	5,629	-	2,101	85	3,133	779	11,558	30,180
GEO-INFO	33	1	7	4	27	9	69	-	25	1	30	9	134	349
GIFT	28	1	6	-	228	376	861	-	-	-	-	-	-	1,500
HARBOR	1,615	56	350	225	400	412	957	-	3,133	123	1,148	90	4,563	13,072
HAVEN HILL NATURAL AGRMT	1	-	-	-	7	67	92	-	-	-	-	-	-	167
IDG-ENG	14,355	494	3,115	10,907	1,950	3,757	12,744	-	10,254	446	41,282	2,657	72,965	174,926
IDG-LAND	829	28	180	177	113	217	736	-	592	26	2,383	153	4,212	9,646
IDG-MACMUL	11,052	380	2,398	2,367	1,597	2,918	9,824	-	7,918	345	31,949	2,047	56,181	128,976
LAND SALE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LEFF	26,208	901	5,686	5,592	3,559	6,858	23,255	-	18,732	815	75,363	4,851	133,215	305,035
MARINE	17,156	591	3,722	215,064	5,951	17,419	18,922	19,256	11,455	474	14,959	5,348	64,928	395,245
MCC ENDOWMENT	7,598	261	1,648	1,058	1,907	1,943	4,502	-	14,788	584	5,353	419	21,378	61,439
NATIONAL FOREST FEE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NON-GAME	4,991	172	1,083	740	1,604	3,047	4,801	-	3,549	141	8,061	755	21,361	50,305
MNRTF	18,554	638	4,027	3,198	39,482	74,359	126,199	460,329	12,879	540	40,731	4,291	79,073	864,300
OIL & GAS	14	-	3	-	50	548	318	-	-	-	-	-	-	933
ORV-TRAIL	18,451	634	4,003	56,237	7,229	13,096	21,483	2,912	15,381	624	11,546	5,281	66,820	223,697
PARK-ENDOW	110,577	3,803	23,992	14,583	27,840	31,281	73,458	-	218,031	8,610	60,426	6,046	302,039	880,686
PL-PRKIMR	333,479	11,468	72,354	263,300	85,100	88,866	200,743	-	628,144	24,943	289,084	20,656	993,822	3,011,959
PITT-ROB	3,093	106	671	430	900	2,115	3,239	-	2,159	85	4,432	460	13,031	30,721
PRIVATE	455	17	100	60	145	545	543	-	620	27	421	43	1,519	4,495
PUB-REV	7	-	2	2	-	2	4	-	8	-	22	1	41	89
REC BOND FUND	-	-	-	-	-	-	-	-	-	-	-	-	-	-
REC IMPRVMT FUND	3,082	106	668	363	2,668	4,809	8,149	-	2,263	93	3,436	817	12,407	38,861
SAFETY EDUCATION FUND	606	21	131	49	220	952	825	-	390	16	239	201	2,120	5,770
SIGN SHOP	128	4	28	14	104	36	268	-	95	4	117	36	518	1,352
SNOW-REG	10,867	372	2,360	44,224	3,198	6,784	9,359	1,276	7,252	297	8,037	3,499	40,893	138,418
SNOW-TRAIL	19,895	684	4,315	53,348	17,487	38,295	56,309	15,645	14,241	582	22,719	5,204	79,629	328,353
WATERWAYS	127,170	4,376	27,591	133,541	36,564	46,211	100,019	-	241,205	9,552	97,486	7,983	366,771	1,198,469
YOUTH HUNTING & FISHING ED	401	14	90	78	33	90	174	-	452	20	1,072	53	2,083	4,560
2002 IMP ACCT-PARK REV BOND	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SPECIAL PROJECTS	3,615	7,998	-	-	2,938	2,938	39,140	-	-	-	-	-	1,020,122	1,076,751
PUBLIC USE & REP DEED FEES	634	22	139	136	88	166	568	-	455	21	1,829	120	3,238	7,416
GF/GP*	343,636	11,817	74,555	1,132,690	144,494	235,502	526,543	445,285	250,811	10,208	369,860	94,380	1,386,172	5,025,953
LINE ITEM TOTAL	1,923,274	74,012	416,500	5,152,594	774,089	903,433	2,288,367	979,170	2,084,119	83,999	2,071,585	410,939	8,208,786	25,370,867

*GF/GP INCLUDES ALLOCATIONS TO ALL FEDERAL FUNDS AND DEQ